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May 5, 2006

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
From: 
David E. Janssen
Chief Administrative Officer

SACRAMENTO UPDATE ON INFRASTRUCTURE BONDS

As reported by our Chief Legislative Advocate, Dan Wall, at just after 3:00 a.m. this morning, the Assembly completed action on a package of ten bills containing the infrastructure bonds and the bond trailer bills deemed necessary to make the statutory changes agreed to by both Houses.

The marathon, two-day session was characterized by short bursts of activity interspersed between very long periods of waiting and caucusing. Opposition by the California Teachers Association and other education groups to the wording of SCA 7 (Torlakson) which would protect Proposition 42 transportation funds; opposition by a number of unions to AB 143 (Nuñez, Perata) which would allow "design-build" contracting methods on the various bond projects; and opposition by the County, CSAC and a number of other allied groups to the deletion of a county allocation of street and road funds from the transportation bond package in SB 1266 (Perata, Nuñez) were the primary reasons the length of the session.

Groups opposing various parts of the package were not the only reasons for delay. Prior to adjournment another hour was added due to the transmittal of an incorrect version of the SB 1266 (Perata, Nuñez) transportation bond to the Assembly. This delay was particularly significant to the County because the erroneous version of SB 1266 sent to the Assembly for final action only included \$1 billion for streets and roads with 100 percent of the funds going to cities. Both Speaker Nuñez and Senator Perata deserve the County's thanks for adding the \$1 billion in funding for counties and

for untangling and solving the mix-up over the correct version of SB 1266. Adjournment in the Assembly occurred at 3:00 a.m.

The following are highlights of each bill in the bond package and related legislation. Approved bond measures do not required the Governor's signature.

SB 1266 (Perata, Nuñez) places a \$19.75 billion General Obligation Transportation Bond on the November, 2006 ballot.

The key features of the bond are as follows:

1. Provides \$1 billion for County streets and roads which gives Los Angeles County \$194.4 million.
2. Provides \$4.5 billion, upon appropriation by the Legislature, for corridor mobility projects that make performance improvements on the State highway system or major access routes to the State highway system on the local road system.
3. Provides \$1 billion, upon appropriation by the Legislature, for State Route (SR) 99 improvements, which may include safety, operational enhancements, rehabilitation, or capacity improvements necessary to improve the SR 99 Corridor traversing approximately 400 miles of the Central Valley.
4. Provides \$3.1 billion for the California Ports Infrastructure, Security, and Air Quality Improvement Account, and shall be available, upon appropriation by the Legislature and subject to such conditions and criteria that the Legislature may provide, as follows: a) \$2 billion for the Trade Corridors Improvement Fund for infrastructure improvements along federally designated "Trade Corridors of National Significance" or along other corridors that have a high volume of freight movement; b) \$1 billion for the State Air Resources Board for emission reductions, not otherwise required by law or regulation, from activities related to the movement of freight along California's trade corridors; and, c) \$100 million for the Office of Emergency Services for grants for port, harbor, and ferry terminal security improvements.
5. Provides \$200 million, upon appropriation by the Legislature, for school bus retrofit and replacement to reduce air pollution and to reduce children's exposure to diesel exhaust.
6. Provides \$2 billion, upon appropriation by the Legislature, for projects in the State Transportation Improvement Program.
7. Provides \$4 billion for the Public Transportation Modernization, Improvement, and Service Enhancement Account to be available, upon appropriation by the Legislature, for intercity rail projects and to commuter or urban rail operators, bus operators, waterborne transit operators, and other transit operators for rehabilitation, safety or modernization improvements, capital service enhancements or expansions, new capital projects, bus rapid transit improvements, or for rolling stock procurement, rehabilitation, or replacement.

8. Provides \$1 billion for the State-Local Partnership Account to be available, upon appropriation by the Legislature and subject to such conditions and criteria that the Legislature may provide for eligible projects nominated by an applicant transportation agency, which would be required to provide a dollar for dollar match.
9. Provides \$1 billion for the Transit System Safety, Security, and Disaster Response Account to be available, upon appropriation by the Legislature and subject to such conditions and criteria that the Legislature may provide, for: a) capital projects that provide increased protection against a security and safety threat; and b) capital expenditures to increase the capacity of transit operators, including waterborne transit operators, to develop disaster response transportation systems that can move people, goods, and emergency personnel and equipment in the aftermath of a disaster.
10. Provides \$125 million for the Local Bridge Seismic Retrofit Account to be used, upon appropriation by the Legislature, to pay the required 11.5% match for Federal Highway Bridge Replacement and Repair Funds.
11. Provides \$250 million for the Highway-Railroad Crossing Safety Account to be available, upon appropriation by the Legislature, for the completion of high-priority grade separation and railroad crossing safety improvements.
12. Provides \$750 million for the Highway Safety, Rehabilitation, and Preservation Account to be available, upon appropriation by the Legislature, for the State Highway Operation and Protection Program, of which \$250 million shall be used to fund traffic light synchronization projects or other technology based improvements.
13. Provides \$1 billion for the Local Streets and Road Improvement, Congestion Relief, and Traffic Safety Account for each city, city and county, and county that does not have a city, distributed on a population basis, with each receiving a minimum of \$400,000, for local traffic and road improvements.

AB 127 (Nuñez) is the kindergarten through university bond measure which will be on the November 2006 Ballot. The measure provides \$10.416 billion in general obligation bonds for education (\$7.329 billion for K-12 and \$3.087 billion for higher education).

AB 140 (Nuñez and Perata) is the flood protection bond measure which will be on the November 2006 Ballot. The measure provides for \$4.090 billion in general obligation bonds for flood protection (\$3 billion for levee repair, urban flood control system improvements, and delta levee repairs; \$500 million for the State Flood Control Subvention Program; \$200 million for the State Flood Corridor Program for floodplain corridors; \$90 million for floodplain mapping; and \$300 million for the stormwater/flash flood protection program for Southern California desert regions).

AB 142 (Nuñez and Perata) appropriates \$500 million from the State's General Fund for levee evaluation and repair, and for flood control system improvements. AB 142 now awaits the Governor's action.

AB 143 (Nuñez and Perata) would establish a design-build demonstration program for the California Transportation Commission to select 10 projects that could be built using the design-build method of construction. It failed passage on the Assembly Floor by a vote of 27 to 28. In order to have been considered for selection, the projects must have been included in the State Improvement Program, the State Highway Operations and Protection Program, or the Traffic Congestion Relief Program.

AB 1039 (Nuñez and Perata), which would exempt certain transportation, bridge, and levee repair projects from CEQA requirements, now awaits the Governor's action. Those projects include the Schuyler Heim Bridge in Los Angeles County, the Mojave River Bridge on State Route 18 in San Bernardino County, State Route 101 Hollister Avenue Overcrossing in Santa Barbara County, and critical levees within the Sacramento River Flood Control Project. Caltrans is required to: 1) conduct outreach efforts in the vicinity of the project to ensure public awareness of the proposed repair work; 2) comply with standard construction practices to the extent feasible; and 3) use equipment powered natural gas, electricity, or certain diesel fuels to the extent feasible.

AB 1467 (Nuñez and Perata), which authorizes Caltrans and regional transportation agencies to enter into lease agreements with public and private entities for transportation projects which are designed to improve goods movement, now awaits the Governor's action. Eligible projects are to be located in northern and southern California and may include exclusive truck lanes and rail access, and operational movements. The measure does not authorize the conversion of any existing non-toll or non-user fee facilities into tolled or user fee facilities, with the exception of a high-occupancy vehicle lane that may be operated as a high-occupancy toll lane.

SCA 7 (Torlakson), as amended and passed on May 4, 2006 would alter the provisions in the State Constitution that allow for the suspension of Proposition 42 transportation dollars by the State.

SCA 7 would limit the State's ability to suspend Proposition 42 dollars by deleting the requirement that the Governor issue a proclamation declaring that the transfer of transportation funds will have a significant negative fiscal impact on the range of functions of government funded by the State General Fund, and instead require that the Governor's proclamation declare that the suspension is necessary "due to a severe State fiscal hardship". The existing requirements for the Legislature to pass a statute containing no other unrelated provisions by a two-thirds vote of each house of the Legislature to suspend the transfer of funds, and to enact a statute to repay the funds within three years is included in SCA 7. In addition, SCA 7 adds a requirement that the funds be paid back with interest.

Furthermore, SCA 7 would: 1) require any loan be made pursuant to a statute that provides for the full repayment to the Transportation Investment Fund with interest, and require the repayment to be made within three years of the suspension; 2) prohibit the

suspension from occurring in more than two fiscal years during any 10-year period; 3) prohibit any suspension from occurring if full payment as required by a statute enacted in accordance with the bill has not yet been completed; 4) require any funds currently loaned from the Transportation Investment Fund prior to January 1, 2006 be repaid no later than June 30, 2016, and require that annual payments on the current loan not be less than one-tenth of the total amount outstanding; and 5) allow the Legislature to provide by statute for the issuance of bonds by the State or local agencies that are secured by the minimum payments required above.

AB 1540 (Nuñez) specifies the exact ballot title and summary for SCA 7 (Torlakson), which is described above, and how it will appear on the November 7, 2006 ballot. This measure awaits the Governor's action.

We will continue to keep you advised.

DEJ:GK
DW:EW:cc

c: All Department Heads
Legislative Strategist
Local 660
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants